REQUEST FOR APPROVAL

To: **Caroll Mortensen**
Director

From: **Howard Levenson**
Deputy Director, Materials Management and Local Assistance Division

Request Date: November 14, 2014

Decision Subject: Awards for the Greenhouse Gas Reduction Organics Grant Program (Greenhouse Gas Reduction Fund, FY 2014–15)

Action By: November 18, 2014

Summary of Request:
Staff requests approval of grant awards for the Greenhouse Gas Reduction Organics Grant Program, Fiscal Year (FY) 2014–15. CalRecycle received 44 eligible applications requesting a total of $108,067,281 for this competitive grant program. This request seeks approval for 5 grant awards to those passing applicants with the highest scores, totaling $14,521,000 (see Table 1). Of those eligible applications, 1 was partially funded due to insufficient funds. The remaining passing applications, reflected in rank order in Table 2, could be funded in that order if additional funds become available.

Recommendation:
Staff recommends approval of 5 grant awards, as listed in Table 1, List A below, for $14,521,000.

Table 1. Organics Grant Program Recommended Award – List A

Applicant Name	Project Type	Total Award Recommended
CR&R Incorporated	Anaerobic Digestion	$3,000,000
Colony Energy Partners, LLC	Anaerobic Digestion/Food Rescue	$2,925,920
Mid Valley Disposal, Inc.	Aerated Static Pile Composting	$3,000,000
Recology East Bay Organics	Anaerobic Digestion	$3,000,000
Burrtec Waste Industries, Inc. *(partially funded)*	Aerated Static Pile Composting/Food Rescue	$2,595,080
	Total	**$14,521,000**

Table 2. Organics Grant Program Recommended Award (if additional funds become available) – List B

Applicant Name	Project Type	Total Amount Requested*
Burrtec Waste Industries, Inc. *(partially funded)*	Aerated Static Pile Composting/Food Rescue	$393,974
Zero Waste Energy Development Company, LLC	Anaerobic Digestion	$3,000,000
Riverside County	Composting	$895,000
CleanWorld	Anaerobic Digestion	$3,000,000
City of San Diego	Aerated Static Pile Composting/Food Rescue	$3,000,000
Recology Leasing Inc.	Anaerobic Digestion	$3,000,000
West Contra Costa Sanitary Landfill, Inc.	Aerated Static Pile Composting	$3,000,000
Zanker Road Resources Management, Ltd.	Aerated Static Pile Composting	$3,000,000
Anaheim Energy, LLC	Anaerobic Digestion	$3,000,000

Applicant Name	Project Type	Total Amount Requested*
MSB Investors, LLC	Material Recovery Facility/Anaerobic Digestion	$3,000,000
B. Goodrow, Inc.	Aerated Static Pile Composting	$641,100
Tracy Material Recovery and Solid Waste Transfer, Inc.	Aerated Static Pile Composting	$3,000,000
Harvest Power California LLC - Tulare	Composting/Food Rescue	$2,734,800
Rialto Bioenergy Facility, LLC	Anaerobic Digestion	$3,000,000
South Lake Refuse Company, LLC	Aerated Static Pile Composting	$654,567
Upper Valley Disposal Service	Aerated Static Pile Composting	$935,981
City of Los Angeles	Anaerobic Digestion	$3,000,000
Crown Disposal Company, Inc.	Aerated Static Pile Composting/ Anaerobic Digestion	$3,000,000
Agri Service, Inc. – El Corazon	Aerated Static Pile Composting	$1,247,095
Universal Waste Systems, Inc.	Composting	$3,000,000
City of Napa	Aerated Static Pile Composting/ Anaerobic Digestion	$3,000,000
Inland Bioenergy LLC	Anaerobic Digestion	$2,965,000
Joseph Gallo Farms	Anaerobic Digestion	$1,500,000
Northern Recycling and Waste Services	Aerated Static Pile Composting	$3,000,000
North State Rendering Co. Inc.	Anaerobic Digestion	$3,000,000
Agri Service Recycling, Inc. – Otay Mesa	Aerated Static Pile Composting/Food Rescue	$3,000,000
	Total	**$62,967,517**

** Amount requested subject to CalRecycle staff verification of eligible expenditures prior to issuance of an award.*

Funding:
The FY 2014–15 Budget Act allocates $14,521,000 to the Greenhouse Gas Reduction Fund for the Organics Grant Program.

Fund Source	Amount Available	Amount to Fund Item	Amount Remaining	Line Item
Greenhouse Gas Reduction Fund (FY 2014–15)	$14,521,000	$14,521,000	$0	Organics Grant Program
Total	$14,521,000	$14,521,000	$0	

Director Action:
On the basis of the information and analysis in this Request for Approval and the findings set out herein, I hereby conditionally approve the grant awards for the Organics Grant Program as listed in Table 1. Each proposed grantee's award is conditional upon:

1. The full payment within 60 (sixty) days of the date of this grant award of all outstanding debt(s) or scheduled payment(s) owed by the proposed grantee to CalRecycle.
2. The return by the proposed grantee of a completed and executed Grant Agreement within 60 (sixty) days from the date that CalRecycle staff emails the Grant Agreement.

Dated: _____

_____
Caroll Mortensen
Director

Background and Findings:

Statutory Authority

The Budget Act of 2014 (Chapter 25, Statutes of 2014), which enacted section 49999 of the Public Resources Code, authorizes the Department of Resources Recycling and Recovery (CalRecycle) to award grants for capital investments that expand organics management and recyclable commodities manufacturing infrastructure in the state. The Act provided $20 million for grants, and CalRecycle allocated $15 million of this amount to the Organics Grant Program; after accounting for administrative costs, a total of $14.521 million is available for organics grants. This investment in organics management infrastructure is focused on reducing greenhouse gas emissions and diverting more materials from landfills in support of the State's greenhouse gas and 75 percent solid waste recycling goals.

Program Background

Two key pieces of legislation, AB 32 and AB 341, provide the policy drivers for the Organics Grants Program. The purpose of the Organics Grant Program is to lower overall greenhouse gas emissions by expanding existing capacity or establishing new facilities in California to reduce the amount of California-generated green materials, food materials, or organics-derived alternative daily cover being sent to landfills. Compostable and digestible organic materials constitute about 1/3 of the material currently being disposed in landfills (this figure is over 40 percent if lumber is included). From a climate change perspective, significant methane emission reductions can be achieved by redirecting organic materials from landfills to composting and anaerobic digestion facilities. The Air Resources Board's 2014 Scoping Plan Update identifies organics management facilities as key priorities in the waste sector, and organic materials management was a key priority in the Administration's 2013 Investment Plan for Cap and Trade revenues. Projects can benefit disadvantaged communities by resulting, where locally acceptable, in new or upgraded facilities that reduce greenhouse gas emissions, improve water and air quality, create jobs, and rescue food. In general, the development of additional composting and anaerobic digestion infrastructure in the state has many co-benefits, including job creation, potential for biofuel/bioenergy production, and water conservation and soil improvement from the application of compost.

Criteria and Process

The proposed eligibility criteria and evaluation process were discussed at a February 6, 2014, public workshop and at the March 18, 2014, CalRecycle public meeting, and were subsequently approved by the Director. The Notice of Funds Available was placed on the CalRecycle website on May 1, 2014 (with an indication that funding was contingent upon inclusion in the Budget Act). Stakeholders were notified via an email notice and listserv announcements. The Budget Act of 2014 was signed by the Governor on June 20, 2014. The original eligibility criteria and evaluation process were revised and approved by the Director on August 14, 2014, to conform to the funding provisions included in the Budget Act.

Eligible applicants included cities, counties and other local agencies, private, for-profit entities, solid waste service providers, owners/operators of solid waste facilities, operators of composting or anaerobic digestion facilities or other related digestion or fermentation facilities, state agencies, the University of California, the California State University, or other public universities or colleges, nonprofit organizations, and Qualifying Indian Tribes. Qualifying entities were allowed to submit up to two applications for the Organics Grant Program; these could be in the form of an individual, regional, or cooperative application. In a regional or cooperative application, one entity must have been identified as the Lead Participant to act on behalf of the Participating Jurisdictions or Participating Entities.

Eligible projects included: construction, renovation or expansion of facilities in California that compost, anaerobically digest, or use other related digestion or fermentation processes to turn green or food materials into value-added products. This includes purchase of equipment, machinery and real estate improvements associated with the installation thereof. A food waste prevention component is not considered a separate project. Projects

must be located in California and result in permanent, annual, and measurable:

1. Reductions in greenhouse gas emissions from the handling or landfilling of California-generated green and food materials; and
2. Increases in the quantity (tons) of California-generated green materials, food materials, or alternative daily cover diverted from landfills and composted, digested or diverted to other fermentation processes.

Applications were due June 10, 2014, with a secondary due date of July 8, 2014, for submission of required Resolutions and Environmentally Preferable Purchasing and Practices Policy Notifications. On May 14, 2014, the application due date was extended to July 1, 2014, and the secondary due date extended to July 31, 2014, to allow applicants additional time for formulate their proposals.

CalRecycle received 51 applications requesting a total of $118,682,621. Subsequently, seven applicants were disqualified; two of these were determined to be incomplete and five proposed ineligible projects. While the ineligible projects may result in some greenhouse gas reductions, their project categories were not defined as eligible projects in the March 2014 approval of the program.

Staff reviewed the remaining 44 applications in accordance with the approved evaluation and scoring criteria. The most important criteria in terms of potential scoring were: greenhouse gas reductions, tons of organic materials diverted, benefits to disadvantaged communities, and project readiness. Additional points were possible for fiscal soundness, air and water quality benefits, budget, and overall workplan.

The maximum grant award is $3,000,000 per applicant. With the $14,521,000 available, the 4 top-scoring applicants can be fully funded, based on eligible costs, and 1 can be partially funded. Twenty-five additional applications received a passing score, and 14 did not receive a passing score. Should additional monies become available, staff recommends that the applicant proposed to receive partial funding (Burrtec Waste Industries, Inc.) receive additional funds. Of the 5 projects that are proposed to be funded, all are located in or near, and provide benefits to, disadvantaged communities. CalRecycle will work with successful applicants to accurately assess the total project costs in order to determine the cost-effectiveness of the program in reducing greenhouse gas (GHG) emissions on a metric ton of carbon dioxide equivalent per Greenhouse Gas Reduction Fund dollar investment basis.

The projects with grant awards are briefly summarized in the following table:

Applicant Name	Description	Estimated GHGs (MT CO2e) Total Project*	Estimated Diversion (Tons) Total Project*
CR&R Incorporated	Riverside County: The CR&R Anaerobic Digester (AD) Facility Expansion Project consists of an 83,000 ton per year addition to CR&R's AD facility that is under construction at the Perris Material Recovery Facility and Transfer Station. This addition will double the plant's processing capacity, enabling landfill diversion of an additional 229 tons of mixed municipal organics per day. This project will produce renewable natural gas transportation fuel and soil amendments.	483,000	822,300

Applicant Name	Description	Estimated GHGs (MT CO2e) Total Project*	Estimated Diversion (Tons) Total Project*
Colony Energy Partners, LLC	Fresno County: Colony Energy Partners, LLC project consists of a high-solids anaerobic codigestion facility that will divert more than 110,000 tons of waste annually from California's landfills in order to produce renewable biomethane. The biomethane will be fed directly into the natural gas grid via a SoCalGas transmission line adjacent to the property. The biomethane will also be supplied as a diesel alternative to San Joaquin Valley's on-road truck market through a public access Bio-CNG fueling station located on the property. The project includes a food waste prevention effort led by Fresno Metro Ministry, who will expand the Fresno Food Recovery Network and divert an additional 65 tons annually from California landfills by providing food to those in need.	651,500	1,107,600
Mid Valley Disposal	Fresno County: Mid Valley Disposal, Inc. will construct a brand-new GORE® covered aerated static pile composting operation at its existing material recovery facility and transfer station in Kerman. The applicant will separate food and green materials from its existing collection routes in Fresno County and nearby communities, and produce compost using a process pre-certified by the San Joaquin Valley Air Pollution Control District for VOC reductions.	137,200	289,700
Recology East Bay Organics	Alameda and San Francisco Counties: Recology East Bay Organics project consists of a processing system that will leverage existing but under-utilized infrastructure to achieve greenhouse gas emissions reductions, while significantly increasing the tonnage of California-generated organic wastes diverted from landfills to anaerobic digestion at the East Bay Municipal Utility District wastewater treatment plant. Grant funds will be used to help purchase an organics extrusion press and associated equipment at its Recology San Francisco transfer station and an organics polishing system at the Alameda processing facility. The processing system is designed to extract organic material intermingled with mixed solid waste so that it can be anaerobically digested. Biomethane produced by the project will be used to power the East Bay Municipal Utility District wastewater treatment plant, with surplus power being sold to the Port of Oakland under a Power Purchase Agreement.	201,800	214,800

Applicant Name	Description	Estimated GHGs (MT CO2e) Total Project*	Estimated Diversion (Tons) Total Project*
Burrtec Waste Industries, Inc.	San Bernardino County: The Burrtec Waste Industries projects consists of building a brand-new GORE® covered aerated static pile composting operation on property it owns in Victorville. The compost facility is the first phase of a project which includes a 500 TPD mixed waste processing facility on the site. Burrtec will source the green materials and food materials from its existing collection routes in the high desert, diverting these materials from the nearby Victorville Landfill, which will significantly reduce regional greenhouse gas and other emissions and generate compost for the region. Once the material recovery facility is built, organics residuals from that facility will also be composted.	184,3000	323,400

** Eligible GHGs and tons as verified by CalRecycle and ARB. Applicants' GHGs and tons were modified by CalRecycle and ARB in some instances.*